

INSULAR AFFAIRS

The Office of Insular Affairs (OIA) carries out the responsibilities of the Secretary related to the U.S. Virgin Islands, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands (CNMI), the Republic of Palau, the Republic of the Marshall Islands, and the Federated States of Micronesia. The mission of the Office of Insular Affairs is to promote the economic, social, and political development of the insular areas. The Office also serves as a focal point within the Administration for developing and coordinating responses to issues that arise in relations between the Federal Government and the four territorial governments.

The Office of Insular Affairs provides both financial and technical assistance to the insular areas on many complex and politically sensitive issues covering all aspects of governmental operations. Grants are provided for small technical assistance projects as well as major construction projects, and require continuous management and monitoring. Examples of these grants include: grants for construction of hospitals, sewer systems, water systems, power systems, roads, ports, airports, and school systems; grants for anti-drug activities and crime control; grants to enhance health care and public safety; grants to improve education; and grants to assist the governments in becoming self-sufficient.

Interior Involvement in the Insular Areas

American Samoa Support

American Samoa was the only U.S. territory to receive direct grant support for general government operations in 1996. American Samoa's economy is unable to generate sufficient local revenue to ensure that essential public services are provided to its citizens. It receives an annual operations grant to fund the difference between budget needs and local revenues. American Samoa received a 1996 operations grant of \$23 million of which \$22 million was for general operations and \$814 thousand was earmarked for operations of its High Court.

The Government of American Samoa is now required to develop a multi-year Master Plan for capital needs. In 1996, American Samoa received \$7.7 million in Covenant grants. The Master Plan was completed by the American

Samoa Government, with assistance from the Army Corps of Engineers, and was approved by the Secretary.

Enewetak Support

This special operations program was created following the cleanup of the Enewetak Atoll nuclear testing by the United States. The operational support provides supplemental food for the community, transportation costs within the Marshall Islands, and replanting and maintenance of food-bearing trees and crops.

Capital Improvement

Capital improvement grants are made subject to terms and conditions that include the insular governments' compliance with laws and regulations applicable to Federal financial assistance. The Office of Insular Affairs retains the services of the Army Corps of Engineers to provide engineering expertise to its review and oversight of construction grants.

Guam Impact Aid

The Compact of Free Association Act authorized appropriations to reimburse the United States insular areas for the impact on social and education programs caused by implementation of the Compacts of Free Association. Substantial effort has been expended by Guam, with technical assistance support from the Office of Insular Affairs, to document and quantify the impact. Congress, in enacting the changes to mandatory Covenant funding, stipulated that this funding must be used for capital improvements. The Department issues a grant for this assistance and the Government of Guam identifies the specific projects that will be funded.

Rongelap Resettlement

In 1996, Congress made Rongelap eligible for Covenant funding and earmarked \$4.4 million in 1996 appropriations for resettlement of Rongelap. Congress further stipulated that not more than \$32 million in additional funding would be provided for Rongelap resettlement beginning with the 1996 appropriation and that this funding was contingent on an agreement between the United States and the

Rongelap Atoll Local Government declaring this to be a full and final settlement of all resettlement claims.

In September 1996, the Secretary of the Interior and representatives from Rongelap and the Marshall Islands Government signed a historic agreement as a final settlement of Rongelap claims.

Disaster Assistance

Disaster assistance grants are a special kind of capital improvement grant that fund infrastructure improvements designed to mitigate damage from future disasters. This program is coordinated with the Federal Emergency Management Agency (FEMA). Disaster assistance funds granted by the Office of Insular Affairs may be used by the insular governments to meet matching requirements of FEMA mitigation grants. A total of \$750 thousand was appropriated for disaster mitigation in 1996.

Technical Assistance Program

The general Technical Assistance Program provides the insular areas with funding to encourage economic development, to enhance health care and public safety, to improve Government productivity and efficiency, to improve education and to assist the governments in becoming self-sufficient.

The Operations and Maintenance Improvement Program is part of the Technical Assistance Program and was designed to create and support institutions that enhance the capability of the insular governments to maintain their capital infrastructure. Specific areas targeted for assistance are water systems, sewage systems, solid waste disposal, power systems, roads, ports, airports, school systems and other public buildings. The program is managed with the assistance of the Army Corps of Engineers.

In 1990, a Corps contract with Louis Berger International, Inc., in association with Barrett Consulting Group, provided a baseline study of existing operations and maintenance organizations in the insular areas. In concert



OIA Director, Allen Stayman, attends 1996 Flag Day ceremony with American Samoa Justice Michael Kruse and other government officials.

with the insular governments, action plans were developed to improve operations and maintenance in each area. In 1996, \$2.4 million was appropriated for maintenance assistance grants.

Brown Tree Snake Control

This special activity within the Technical Assistance Program was created to help eradicate the brown tree snake in Guam and to control spread of the snake to other insular areas in the Pacific. The snake population and resulting damage increased significantly in the last decade, and Federal efforts have been ongoing for the past six years to eradicate and control the snake population. For 1996, \$595 thousand was appropriated for this activity.

Virgin Islands Emergency Appropriation

In September 1995, the Virgin Islands was devastated by Hurricane Marilyn. This was the second storm of this magnitude in a six-year period, the other being Hurricane Hugo, which struck in September 1989. The Secretary of the Interior has a mandate to evaluate the capability of the insular governments to deal with major disasters, and to offer assistance as necessary. In the case of Hurricane Marilyn, the Department, following consultations with FEMA, the Government of the Virgin Islands, and the Office of Management and Budget sought and received



Rosie Babel (center) and Lydia Feleafine-Nomura (right), Office of Insular Affairs, talk to an American Samoan government official (photo by Insular Affairs).

an emergency appropriation of \$9.5 million to assist the Virgin Islands.

Compacts of Free Association

Under the negotiated Compacts of Free Association with the Federated States of Micronesia and the Republic of the Marshall Islands, the United States pledged its full faith and credit to most of the financial assistance the freely associated states will receive over the 15-year life of the Compacts. In 1986, Congress permanently appropriated such sums as necessary to meet its full faith and credit pledge. Compact funds have a variety of purposes, which are spelled out in the negotiated agreement and the joint resolution (Public Law 99-239) which approved the agreement. The majority of the funding goes for current (general operations) or capital (construction and major acquisitions) purposes. Special funding was earmarked for energy production, maritime surveillance, medical referrals, and communications.

For 1996, a total of \$245 million in permanent appropriations was made available for guaranteed assistance to the freely associated states. Of this total, the Federated States of Micronesia received \$86.5 million, the Republic of the Marshall Islands received \$39.7 million, and the Republic of Palau received \$119 million.

Program Grant Assistance

Each year the freely associated states receive a block grant for health care and education assistance, in accordance with Section 221(b) of the Compact. Although this funding is referred to as block grants, the funds are not subject to Federal grant regulations or practices. These grants are funded through annual appropriations and are not backed by a full faith and credit pledge. They are, however, considered mandatory payments under Federal budget practices.

For 1996, as is the case for each of the 15 years of the Compact, \$10 million was appropriated for block grants to the Federated States of

Micronesia and the Republic of the Marshall Islands. The Federated States of Micronesia received a \$7 million annual payment, and the Republic of the Marshall Islands received \$3 million. The Republic of Palau received \$4.9 million for its block grant.

Federal Services Assistance

The Compacts of Free Association guaranteed that the freely associated states would continue to receive certain Federal services at a level equivalent to what was provided in the year preceding the implementation of the Compacts. These services include the Postal Service, U.S. Weather Service, Federal Aviation Administration services, disaster assistance from FEMA, and diplomatic training through the Foreign Service Institute. The Federal Government also agreed to pay the costs of auditing all Compact financial assistance. The OIA reimburses the aforementioned Federal agencies for the actual costs of providing these services. For 1996, \$6.9 million was appropriated for Federal Services assistance.

Payments to the U.S. Territories - Fiscal Assistance

Advance Payments to Guam - Each year, Guam receives an advance payment of Federal income taxes expected to be collected from mainland personnel living on Guam and Guam residents serving in the U.S. military. Adjustments are made later to reconcile the advance to

actual collections. In 1996, Guam received total advances and adjustments of \$42.7 million.

Advance Payments to the U.S. Virgin Islands - Each year the Virgin Islands receives an advance payment of Federal excise taxes to be collected on exported rum. Adjustments are made later to reconcile the advance to actual collections. In fiscal year 1996, the Virgin Islands received total advances and adjustments of \$38.3 million.

Insular Management Controls - This program brings together financial expertise from the Office of Insular Affairs, the Inspector General, the insular governments and their independent auditors to identify and address specific problems in each insular area. A joint working group from the Department and the Office of Management and Budget determined that inadequate controls in the insular governments were creating a control environment that placed Federal funds at high risk of waste, fraud, or abuse, and designated this program as a "high risk area" for the Department. Financial and technical assistance commenced in 1995 and significant progress has been achieved. The program is no longer viewed as a high risk area.

Program Performance

State of the Islands - The basis for insular financial assistance provided through the Department is a Federal recognition that the normal array of financial assistance is not sufficient to meet the needs of the island governments. Island economies are fragile and often erratic. For the most part, they are dependent on tourism or unique industries. In the case of the freely associated states, where the United States acquired defense rights in exchange for financial assistance, the level of payments was negotiated primarily on the basis of economic need more so than the absolute value of the defense interest.

An annual "Report on the State of the Islands" has been issued since 1992. The report contains statistical data and explanatory narrative on economic, financial, and social conditions in the insular areas. It will be one tool in assessing OIA's progress in promoting its mission and goals.

Rongelap Islanders to Return Home

On September 19, 1996, Secretary Bruce Babbitt signed an agreement that enabled Pacific Islanders to return to their atoll after more than a decade of self-imposed exile.

The agreement, which the Office of Insular Affairs negotiated with Rongelap representatives over the past three years, provides the Rongelap local government with \$45 million for atoll rehabilitation and resettlement.

The pact requires the construction of homes and docks, electric and water facilities, a school and other government buildings. Congress, which participated in the negotiations, set up the parameters for the settlement in 1995 with the passage of Public Law 104-134.

The Rongelap people were accidentally exposed to radioactive fallout from a 1954 U.S. hydrogen bomb test. They have been living on other atolls in the Marshalls while resettlement terms were worked out.

The accident occurred on March 1, 1954, when a Department of Defense test, called Bravo, was detonated on Bikini Atoll. The force of the explosion was three times what U.S. scientists had expected.

Fallout, carried by winds that had shifted just before the blast, drifted over Rongelap and Utirik, about a hundred miles to the southeast. The islanders were evacuated two days later, but many suffered from severe illnesses.

They were allowed to return to Rongelap in 1957, but new medical problems arose. They left Rongelap in 1985 and have since lived on Mejetto Atoll in the Marshalls.

The present Rongelap population is about 400. Of the approximately 100 persons on Rongelap and surrounding islands who were exposed to fallout in 1954, about 70 are still living today. The U.S. Department of Energy continues to provide health care for the islanders and closely monitors their condition.